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Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 24 January 1978 CG NIDC 78/019C

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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State Dept. review completed

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National Intelligence Daily Cable for Tuesday, 24 January 1978.

The NID Cable is for the purpose of informing senior US officials.

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ISRAEL: Begin's Knesset Speech

25X1 [] Israeli Prime Minister Begin in his Knesset speech yesterday left open the possibility of an early resumption of the military talks in Cairo. Begin hinged Israeli approval of such a resumption on President Sadat putting an end to the "antisemitic" campaign in the Egyptian press. Egyptian Foreign Minister Kamil dismissed the charges of antisemitism, but suggested that both sides could "calmly redefine their stands" and may resume negotiations.

25X1 [] Begin rehashed the course of negotiations leading up to last week's abrupt suspension of the political talks apparently in order to get on the record that he had not misled or deceived Sadat on the Israeli negotiating position. Begin then enumerated several antisemitic comments made recently in the Egyptian press, which he charged were intended to humiliate the Israelis. More in puzzlement than anger, Begin quoted President Sadat's recent characterization of the Israeli peace plan as "I want you to sleep so that I can murder you."

25X1 [] Begin said these statements re-created the psychological barriers Sadat had sought to destroy. Begin maintained that the Egyptian general staff had reneged on Sadat's promise to the Israelis to demilitarize the Sinai east of the Mitla and Giddi passes.

25X1 [] Begin also defended his position in an interview published yesterday in the West German magazine *Der Spiegel*. Begin said that Sadat had deceived himself in believing that the Israelis would yield to his demands and, when they did not, decided to produce a climate of tension to dramatize the impasse and bring pressure to bear on Israel. Begin said the ploy would not work.

25X1 [] The debate in the Knesset ended with an endorsement of Begin's statement by a vote of 59 to 9; 19 members in the 120-seat chamber, including three from parties in the governing coalition, formally abstained.

25X1 [] Most of the Israeli press has approved of the government's handling of the situation, including the postponement of the military talks to allow a "cooling-off period." Some doves in the National Religious Party, however, have criticized

the decision and at least some moderate press commentators have criticized both Sadat and Begin for indulging in too much public rhetoric. The *Jerusalem Post*, for example, took issue with the cabinet's harsh criticism of Sadat's speech on Saturday, noting that it was anticlimactic and that efforts should be made to create a new, calmer atmosphere for negotiations.

25X1 [] The US Embassy in Tel Aviv reported yesterday that as the Israelis reflect uneasily on the events of the past week and on what lies ahead, two themes are beginning to be heard:

- Settlements in the Rafah area should not be permitted to block progress toward peace.
- Begin's leadership is being questioned by more moderate elements within the coalition.

On the latter point, the Embassy noted that the "murmurs of discontent" are coming from the more flexible Democratic Movement for Change - Liberal grouping that is unhappy with Begin's hard-line stance on the settlements issue. The Embassy cautioned, however, that it sees no political threat to Begin nor anything approaching a revolt with the governing coalition.

25X1 [] //After consulting Begin, Defense Minister Weizman announced last night that he is postponing his trip to the US that was planned for later this week. He said the Israeli Government must first decide whether to continue the military committee meetings with the Egyptians in Cairo. Weizman had earlier informed US Ambassador Lewis of the decision, and of the time for making it public. The Ambassador drew the inference that a public announcement would advance the prospects for re-convening the military talks and help balance any negative Egyptian reaction to Begin's speech in the Knesset.// []

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CHILE-ARGENTINA: Beagle Channel Talks

25X1 [] //Talks held by the Argentine President Videla and Chilean President Pinochet last week apparently accomplished the groundwork for bilateral negotiations on the Beagle Channel dispute. A second meeting is scheduled for this week in Chile, possibly in Punta Arenas.//

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[REDACTED] //The leaders made no real progress toward an actual boundary settlement, but the two sides reportedly outlined procedures for renewed--and probably prolonged--discussions.//

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[REDACTED] Santiago is clearly interested in finding a diplomatic solution to avoid any development that would tie up its military forces in the south. Chile remains wary of its well-armed northern neighbor, Peru, although we have seen no sign of increased tensions between the two nations.

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[REDACTED] As long as Chilean concessions seem imminent, the Argentine Government probably will cooperate in lowering tensions in the area. Videla, however, must contend with officers in the military who advocate a hard-line stance, especially junta member and navy commander Admiral Massera. The Navy chief has been

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stirring up nationalist sentiments over ownership of the territorial waters and most Navy officers, including the leadership in the Foreign Ministry, appear to agree with his position.

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USSR-BERLIN: Unauthorized Crossing

[redacted] A Soviet official in East Berlin has denied that a Western complaint regarding an unauthorized crossing into West Berlin by East German soldiers falls within the competency of the Soviet Embassy. His suggestion that the matter be taken up with East German authorities was a clear departure from the principle of Four Power responsibility for Berlin.

[redacted] The Soviet diplomat made his statement last Friday when a US official delivered an Allied protest concerning an incident in which six armed East German soldiers had entered a remote part of the American sector of West Berlin two days earlier.

[redacted] The US Mission in Berlin considers the original incident trivial but sees the Soviet response as having serious implications for future diplomacy concerning Berlin. The Soviet refusal to accept the Allied protest may mark the start of a new attempt to compel the Western Allies to deal directly with East Germany over Berlin-related issues. [redacted]

UNITED KINGDOM: Liberal Party Pact

[redacted] //British Prime Minister Callaghan received a boost Saturday when a special assembly of the Liberal Party voted overwhelmingly to continue its pact with the Labor government. The decision strengthens the government's position regarding major legislation and preparations for a general election. The vote is a victory for Liberal Party leader Steel.//

[redacted] //The resolution reaffirms broad-based Liberal support for the government until the budget debate this spring and gives Steel considerable leeway to continue the pact after

that time. The results reassert both Steel's leadership and the predominance of the members of Parliament within the Liberal Party.//

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[redacted] //The assembly's action is welcome news for Callaghan even though withdrawal of Liberal support would not necessarily have led to a collapse of the government. The Prime Minister still must stitch together majorities on an issue by issue basis during the second half of the current Parliamentary session.//

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[redacted] //In addition to the budget, the government will need support on the final versions of the Scottish and Welsh devolution bills, the measure providing for direct elections to the European Parliament, more wage settlements, defense appropriations, and possible initiatives on Northern Ireland.//

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[redacted] //Callaghan can not be certain of support from the Scottish and Welsh Nationalists beyond the devolution bills;

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[redacted] and, because of a restive Labor left wing, the Prime Minister may need Conservative support on the European Parliament elections bill and the defense budget.//

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[redacted] //Liberal support will increase Callaghan's options in determining the most advantageous time to schedule an election. The most likely time is this fall or early next year.

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BELGIUM: Becoming A Federal State

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[redacted] //Belgium took a significant step closer to becoming a federal state recently when an official review committee cleared the way for presenting to parliament a bill implementing the "Egmont Agreement" of last May. The agreement, forged by the four governing coalition parties, was designed to establish a federation with a national government, two cultural communities, and three regional governments: Flanders, Wallonia, and Brussels. It responded to the widespread belief among Belgians that creation of a federal state is the only way to resolve longstanding and emotional domestic antagonisms.//

25X1 [] //The problems spring from Belgium's division into two major linguistic groups: the Dutch-speaking Flemings in the north and the French-speaking Walloons in the south. Intercommunal tensions over many years have gradually led to the country's delineation into separate linguistic areas and the splitting of government ministries equally between the two groups, as well as other measures to provide equality.//

25X1 [] The salient features of the revised agreement are:

- Communities: Each community executive will consist of four members, named by the King with the concurrence of the appropriate community council. Funding for the Flemish and Francophone community councils will parallel increases in regional funding.
- Subregions: Twenty-five subregions, which will replace the present provinces, will take on the present functions of the intercommunal administrations and such other duties as may be delegated. Each will have its own council and executive.
- Germanophones: The eastern cantons where German-speakers live will constitute a subregion linked to a Germanophone cultural council that will regulate cultural affairs by decree.
- Brussels area: Francophones living in the six communes adjacent to the city will have rights in perpetuity to claim additional benefits by linking themselves to one of Brussels' 19 bilingual communes. Those in the other peripheral communes can claim these rights only until 1998, but their children can elect to attend French-speaking schools in any of the other six communes. Flemish speakers in all of these communes and in Brussels will be assured a Flemish-speaking community committee with a fixed minimum level of funding.

25X1 [] The leaders of the four parties in the ruling coalition say that there were no winners or losers in the last round of negotiations; their statement confirms that there were few substantive changes from the earlier text. In particular, the Francophones have preserved all the concessions they won at Egmont.

25X1 [] //A single legal text of the agreement will now be prepared, reviewed, and formally approved by the committee. It must then be accepted by two successive parliaments. The coalition parties have more than enough votes to pass the bill in the present parliament and, if the coalition holds together through the next election, are likely to have enough votes in the next parliament to secure final passage.// []

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25X1 AUSTRALIA: Bilateral Relations

25X1 [] //The Australian Government statement last week accepting the Indonesian takeover of the former Portuguese colony of East Timor will remove an irritant in bilateral relations. The action has been generally accepted by the Australian public.//

25X1 [] //Australian Foreign Minister Peacock said on Friday that his government's decision was in recognition of the fact of Indonesian control. He reiterated his government's disapproval of Indonesian use of force in taking the colony, but said it was unrealistic to continue to ignore the reality of Timor's incorporation into Indonesia. The statement was dictated by the need for arrangements to reunite family members who had fled to Australia following the Indonesian invasion of Timor in 1975.//

25X1 [] //The government of Prime Minister Fraser has long recognized its lack of leverage on Jakarta on the Timor issue, but had been dissuaded from formal acceptance of the Indonesian takeover by limited but vocal public disapproval of the Indonesian military action.//

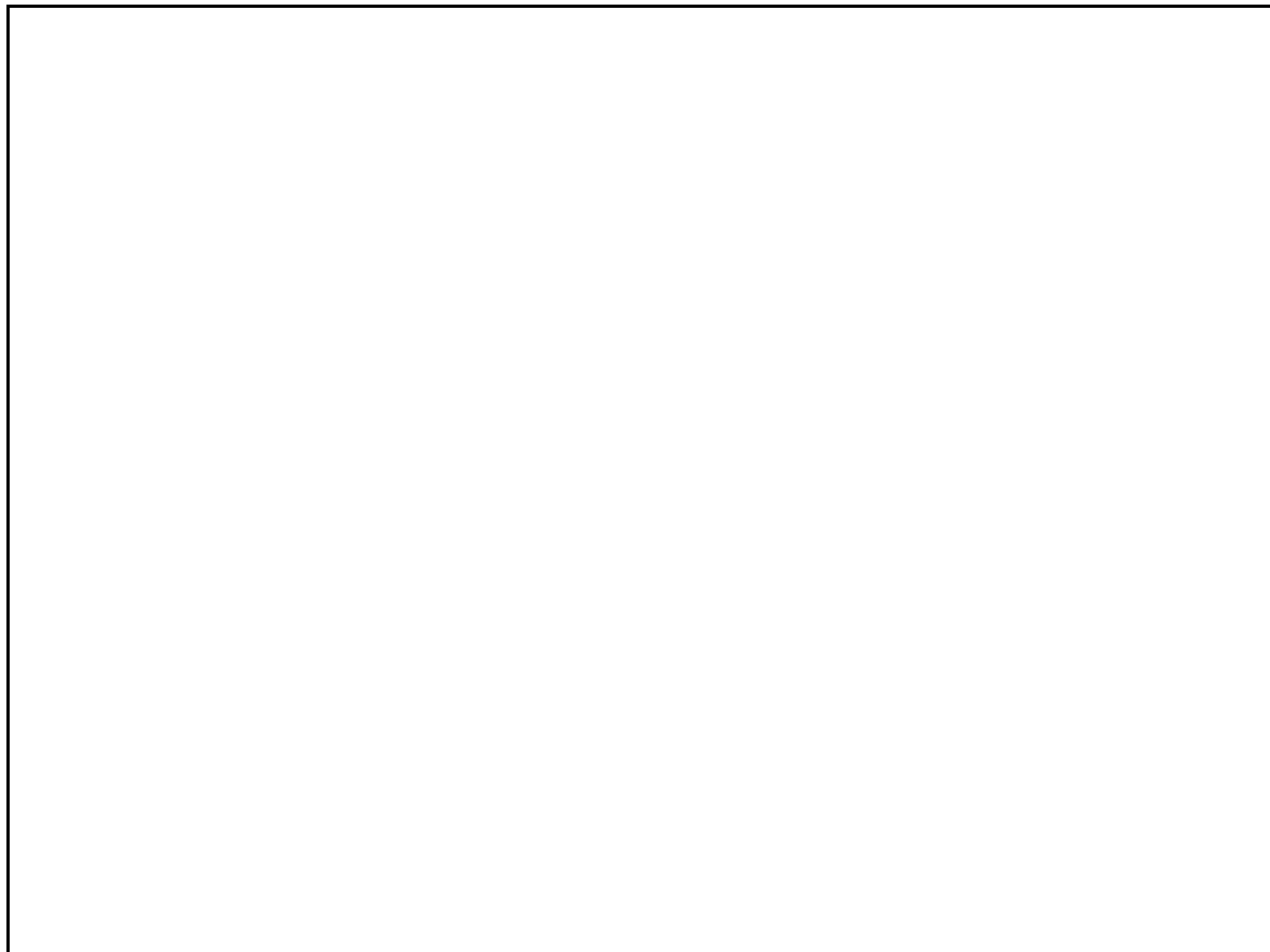
25X1 [] //The announcement predictably has drawn attacks from the small number of Australian political activists who have made Timor a cause. Most Australians, however, accept the government's move as a practical step in maintaining good relations with Indonesia. []

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Greece-Turkey

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[redacted] Greek Prime Minister Caramanlis yesterday gave a qualified yes to Turkish Prime Minister Ecevit's public call for a meeting to discuss the Cyprus and the Aegean issues. Caramanlis noted that such a meeting "may" take place in the spring.

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[redacted] Ecevit earlier promised to present a territorial proposal that would advance the chances for a Cyprus settlement. UN Secretary General Waldheim, under whose auspices the talks on Cyprus have been held, has agreed to call for their resumption in March if Ecevit's proposals warrant, and both Greek Cypriots and the Turks have agreed to this procedure. Talks on the Aegean are scheduled to resume next month.

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[redacted] In seeking a summit, Ecevit wants to achieve some quick progress to consolidate his position and also to improve the chances of obtaining military and economic aid. Caramanlis' wait-and-see policy arises from his desire to avoid giving Ecevit the image of peacemaker--thus reducing international pressure on Turkey--until he is sure that Ecevit's approach to Cyprus and the Aegean provide the basis for compromise solutions.

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